

TAB

ANALYSIS OF RETIREMENT BILL PROPOSED BY CIVIL SERVICE COMMISSION,
WITH SPECIAL REFERENCE TO CIA RETIREMENT PROPOSAL

1. Summary of Principal Changes to Retirement Act as Proposed by Bill

- a. The changes, embodied in the bill, constitute one of the most comprehensive proposals for revision of the Retirement Act since the inception of the system; yet, the bill is significant for what it does not contemplate changing as well as what it proposes to alter.
- (1) The bill does not substantially change the rules concerning the types of service which are creditable under the Retirement Act; the formulas for computing the amount of annuity benefits and the various ways in which an employee may retire.
- (a) Thus, an employee's annuity would still be computed as follows: (1) 1% of average salary (5 highest years) plus \$25 times years of service, (when the employee's average salary is under \$5000) or (2) 1½% of average salary times years of service (when his average salary is \$5000 or more).
- (b) The types of retirement with a right to an immediate annuity remain largely unchanged: i.e., age 62 and 5 or more years service; age 60 and 30 years service; age 55 and 30 years service (with a reduction in annuity for each year an employee is under 60); at any age with 25 years service if involuntarily separated (subject to a reduction in annuity for each year retiree is under age 60); disability (with 5 years service); and mandatory retirement at age 70.
- (2) In addition to the above principal elements of the retirement system, certain other facets of the existing retirement system would be preserved with relatively little, if any, change. These include (a) the guarantee that a retiree, or his beneficiary, will get back all retirement deductions in the form of a lump-sum, if not exhausted by annuity payments; (b) the current procedures for making deposits and redeposits; and (c) the arrangement for making voluntary contributions.
- b. The principal changes proposed in the Retirement Act by the bill are contained in Tab A. (The Tab does not include an analysis of the changes applicable to Congressional members and employees or changes which are of minor importance.) In summary, the major proposals are as follows:

- (1) All Federal employees would be subject to the Social Security Act and would be simultaneously covered by the Retirement Act,

unless expressly excluded, after acquiring 3 years of continuous service in the Government. Employees subject to the Retirement Act on 31 December 1955 would retain such coverage even though they had less than 3 years service, unless they separated for a period of 30 days or more (new proposal). See Sections 2, 30, and 31, Tab A.

- (2) Retirement deductions would consist of $3\frac{1}{2}\%$ of the first \$4200 and 6% of the remainder (in lieu of the current rate of 6%). See Section 4, Tab A.
- (3) An employee would be mandatorily separated at age 70, irrespective of his years of creditable service. Currently, retirement is compulsory when an employee reached age 70 if he has 15 years of service. The bill would liberalize, however, existing provisions concerning the reemployment of retirees, including those at this age level. See Section 5, Tab A.
- (4) FBI agents and other criminal investigators, henceforth would not be permitted to retire at age 50 unless their retirement is certified as being in the interest of the Government, rather than being for the personal interest of the employee concerned. See Section 6, Tab A.
- (5) One of the principal areas of proposed change involves the survivor benefits available to Federal employees. In part, greater benefits would be extended to the spouse by the dual coverage of employees under both Social Security and Civil Service retirement and, in part, by an increased liberalization of the survivor benefits provided under the Retirement Act. The essential elements of the proposed plan are as follows:
 - (a) A retiree with a right to an immediate annuity could elect a survivor benefit if he has 5 years service (15 years service is now required). See Section 9, Tab A.
 - (b) The benefit for surviving spouse would begin immediately upon the death of the retiree (under existing law, survivor annuity begins at age 50). See Section 10, Tab A.
 - (c) If an employee dies in the Federal service after 10 years of service, a survivor benefit would be payable to the widow or dependent widower immediately upon the death of the employee (currently, benefit is payable after employee acquires 5 years service; is payable only to a widow and the benefit does not commence until the survivor is age 50). Whereas Retirement Act now provides for termination of benefit upon remarriage, benefit would not be terminated for remarriage unless it occurred prior to the survivor becoming age 55. See Section 10, Tab A.

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- (d) Although the bill prescribes that a benefit would not be payable to the survivor of an employee who dies in the Federal service unless the employee has 10 years of service, there is a provision in the bill that would make the survivor eligible for Social Security benefits if the employee had over 5 but less than 10 years of service under the Retirement Act (new proposal). See Section 32, Tab A.
- (e) Surviving children would no longer be provided benefits under the Retirement Act; benefits would be payable under the Social Security program (new proposal). See Section 10, Tab A.
- (6) A minimum disability benefit would be guaranteed employees who retire for disability with 10 or more years of service (new proposal). See Section 9, Tab A.
- (7) At age 65, an employee's annuity would be reduced according to a prescribed formula if he were eligible for Social Security payments solely because of Government service. This provision would also apply to a spouse who obtained a survivor benefit as the result of an employee dying in the Federal service, after acquiring eligibility for Social Security payments solely because of Government service (new proposal). See Section 9 and 10, Tab A.
- (8) Employees would be entitled to obtain a refund regardless of the length of service (currently, a refund cannot be obtained after an employee acquires 20 years of service). See Section 11, Tab A.
- (9) Retired employees, age 60 and over, could be reemployed to serve at pleasure of employing agency (now, retiree must have special qualifications). See Section 13, Tab A.
- (10) Reemployed annuitants who serve at least one year, full time would receive a supplemental annuity based on the period of reemployment and salary earned. No deductions would be withheld. See Section 13, Tab A.

2. Comparison of Bill with CIA Proposal for Liberalized Retirement

- a. The proposed bill does not contain any provisions for accelerated accumulation of service credit or for lowering the age of retirement as contemplated by the CIA proposal for liberalized retirement (Tab B). The decision of the Civil Service Commission not to recommend a lower age requirement for retirement despite considerable public support, might have a bearing upon the disposition of the Administration to sanction special requests for legislation which would permit early retirement. It would also seem significant that the provisions governing early retirement of criminal investigators have been made more rigid.

- b. Also germane to this issue of accelerated retirement are the studies made and the views expressed by the Kaplan Committee and the White House Task Force on Overseas Personnel Management.

(1) The Kaplan Committee has stated (Fifth Report, Retirement Policy for Federal Personnel) that it is conscious of the difficulties that overseas employment imposes on employees and their families and of the unique personnel problems which agencies experience in recruiting and maintaining an efficient staff. The Kaplan Committee remarked, however, that a formal personnel policy represents a sound approach to these problems and asserted that preferential treatment per se is not the best nor sole method of compensating employees for the disadvantages of overseas employment. Believing that the retirement system should not be used as a substitute for an adequate pay and allowance system, the Committee therefore concluded it would be undesirable to provide for a separate retirement system for overseas employees. According to the Committee, special benefits, wherever needed, should be provided within the Government's general retirement system. Appreciative of the study given to the subject by the White House Task Force, the Committee refrained from specific recommendations.

(2) The White House Task Force has also studied the need for a special retirement feature applicable to overseas personnel. It has been learned informally and confidentially that the White House Task Force has reviewed the bill proposed by Civil Service Commission and has already commented to the Bureau of the Budget with respect to the omission of a section concerning overseas citizen personnel and foreign nationals. The Task Force advocates a retirement provision for U.S. citizen employees overseas which would permit a 2% increase in annuity for each year of overseas service performed by an employee who serves a minimum of 10 years overseas. The Task Force also believes that arrangements should be effected for the coverage of foreign nationals. Since there is a good prospect that these recommendations will be advocated for the Federal service generally, it would appear desirable to await the outcome of action on the proposals before concluding that special CIA legislation is required. Although the proposals of the Task Force do not cover the specific aspects of the Agency's concept of liberalized retirement, they have a similar objective and have considerable merit. The Task Force goes beyond the CIA proposal by its advocacy of an arrangement for the retirement coverage of aliens.

3. Security Problems Involved in Bill Proposed by Civil Service Commission

- a. The proposed coverage of Federal employees under both the Social Security and Civil Service retirement system potentially poses a problem of Agency compliance.

- b. The expansion in 1954 of the Social Security law to include employees hired by contract instrument presented the Agency with significant security and operational problems, inasmuch as the administration of the program necessitates the external reporting of individual names and organizational affiliations. As a consequence, the Agency negotiated a special arrangement with officials of the Social Security Administration and the Internal Revenue Service which permits the internal maintenance of records of employees until their separation (R 20-625, Section I, Social Security). Although this special procedure meets essential security requirements for the personnel currently involved, it would probably have shortcomings if expanded to cover all Agency personnel, rather than a relatively small number.
- (1) Individual records must be forwarded following the separation of the employees concerned to the Social Security Administration, in the name of CIA or a fictitious employer. For security and administrative reasons, lag periods will frequently result between the date of an employee's separation and the submission of his records; meanwhile, if the individual goes into employment covered by Social Security (usually the case), he will be confronted with the need for a Social Security number, if he does not already have one. This circumstance will present a problem since the Agency's agreement with Social Security provides that such an employee will not seek a number while in CIA employment but will execute an application to be held by the Agency until it forwards his records. Also, lag times would present a hardship and possible security problems in the event of the death of an employee and the survivor was entitled to a pension payment or burial allowance.
 - (2) The special Agency procedure requires that employees refrain from direct contact with Social Security offices; otherwise security may be impaired. Increasing the volume of Agency personnel under Social Security would increase the scope of this problem.
 - (3) If all Agency personnel were covered by Social Security, the security problems involved in the subsequent blending of the records of separated employees in the Social Security system would be increased in volume.
 - (4) Moreover, it is questionable if the Social Security Administration would consent to the use of the special Agency procedure for the total volume of staff personnel, at least without further intensive consideration. (The Agency's special arrangement, in effect, amounts to a special delegation to CIA of the authorities and responsibilities of the Social Security Administration.
- c. It appears desirable to seek a legislative basis for this special arrangement, in the event the proposed bill passes Congress.